

EXHIBIT B

GENENTECH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

**Three Months
Ended June 30,**

| | 2004 | | 2003 | |
|---|---------------------------|----------------------------|-------------------------------|---------------------------|
| | GAAP⁽¹⁾ | Differences | Non-GAAP⁽²⁾ | GAAP⁽¹⁾ |
| Revenues: | | | | |
| Product sales | \$ 913,366 | | \$ 913,366 | \$ 644,324 |
| Royalties | 151,860 | | 151,860 | 122,786 |
| Contract revenue | 62,852 | | 62,852 | 32,602 |
| Total operating revenues | 1,128,078 | | 1,128,078 | 799,712 |
| Costs and expenses: | | | | |
| Cost of sales | 186,683 | | 186,683 | 123,407 |
| Research and development | 212,886 | | 212,886 | 180,203 |
| Marketing, general and administrative | 276,654 | | 276,654 | 184,258 |
| Collaboration profit sharing | 145,221 | | 145,221 | 107,307 |
| Recurring charges related to redemption | 38,209 | \$ (38,209) ⁽³⁾ | - | 38,586 |
| Special charges: litigation-related | 13,458 | (13,458) ⁽⁴⁾ | - | 13,363 |
| Total costs and expenses | 873,111 | (51,667) | 821,444 | 647,124 |
| Operating margin | 254,967 | 51,667 | 306,634 | 152,588 |
| Other income, net ⁽⁵⁾ | 15,444 | - | 15,444 | 40,870 |
| Income before taxes | 270,411 | 51,667 | 322,078 | 193,458 |
| Income tax provision | 99,640 | 20,666 | 120,306 | 61,113 |
| Net income | \$ 170,771 | \$ 31,001 | \$ 201,772 | \$ 132,345 |
| Earnings per share: ⁽⁶⁾ | | | | |
| Basic | \$ 0.16 | \$ 0.03 | \$ 0.19 | \$ 0.13 |
| Diluted | \$ 0.16 | \$ 0.03 | \$ 0.19 | \$ 0.13 |
| Weighted average shares used to compute earnings per share: ⁽⁶⁾ | | | | |
| Basic | 1,060,619 | | 1,060,619 | 1,025,818 |
| Diluted | 1,087,087 | | 1,087,087 | 1,045,829 |

(1) Reflects operating results in accordance with U.S. generally accepted accounting principles (or GAAP).

(2) Non-GAAP amounts exclude litigation-related special charges and recurring charges related to the 1999 redemption of Genentech's Special Common related taxes.

(3) Represents the amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(4) Represents accrued interest and bond costs related to the City of Hope trial judgement.

(5) "Other income, net" includes realized gains and losses from the sale of certain biotechnology equity securities and write-downs for other-than-temp the fair value of certain biotechnology debt and equity securities. In addition, "other income, net" includes interest income and interest expense. For fu to our web site at www.genetech.com.

(6) All share and per share amounts reflect the May 2004 two-for-one stock split of our Common Stock.

2004 Reconciliation of GAAP and Non-GAAP EPS

Our 2004 GAAP EPS is not estimable at this time. The 2004 GAAP EPS would include recurring charges related to the 1999 redemption of our stock by I estimated to be approximately \$145 million on a pretax basis in 2004. In addition, the 2004 GAAP EPS would include litigation-related special charges I and associated bond costs on the City of Hope judgment, which are estimated to be approximately \$54 million on a pretax basis in 2004. The 2004 nor estimate does not include the redemption related recurring charges and the litigation-related special charges or any other potential special charges rela future litigation or its resolution, or changes in accounting principles, all of which may be significant.

GENENTECH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (in thousands, except per share amounts)
 (unaudited)
Six Months
Ended June 30,

| | 2004 | | 2003 | |
|--|---------------------|----------------------------|-------------------------|---------------------|
| | GAAP ⁽¹⁾ | Differences | Non-GAAP ⁽²⁾ | GAAP ⁽¹⁾ |
| Revenues: | | | | |
| Product sales | \$ 1,677,066 | | \$ 1,677,066 | \$ 1,242,806 |
| Royalties | 305,957 | | 305,957 | 236,061 |
| Contract revenue | 120,190 | | 120,190 | 70,517 |
| Total operating revenues | 2,103,213 | | 2,103,213 | 1,549,384 |
| Costs and expenses: | | | | |
| Cost of sales | 301,163 | | 301,163 | 238,249 |
| Research and development | 403,231 | | 403,231 | 337,636 |
| Marketing, general and administrative | 523,968 | | 523,968 | 321,480 |
| Collaboration profit sharing | 271,652 | | 271,652 | 203,854 |
| Recurring charges related to redemption | 76,418 | \$ (76,418) ⁽³⁾ | - | 77,172 |
| Special charges: litigation-related | 26,857 | (26,857) ⁽⁴⁾ | - | 26,608 |
| Total costs and expenses | 1,603,289 | (103,275) | 1,500,014 | 1,204,999 |
| Operating margin | 499,924 | 103,275 | 603,199 | 344,385 |
| Other income, net ⁽⁵⁾ | 37,765 | - | 37,765 | 56,573 |
| Income before taxes | 537,689 | 103,275 | 640,964 | 400,958 |
| Income tax provision | 190,331 | 41,310 | 231,641 | 117,143 |
| Net income | \$ 347,358 | \$ 61,965 | \$ 409,323 | \$ 283,815 |
| Earnings per share:⁽⁶⁾ | | | | |
| Basic | \$ 0.33 | \$ 0.06 | \$ 0.39 | \$ 0.28 |
| Diluted | \$ 0.32 | \$ 0.06 | \$ 0.38 | \$ 0.27 |
| Weighted average shares used to compute earnings per share:⁽⁶⁾ | | | | |
| Basic | 1,057,955 | | 1,057,955 | 1,024,796 |
| Diluted | 1,084,618 | | 1,084,618 | 1,040,204 |

(1) Reflects operating results in accordance with U.S. generally accepted accounting principles (or GAAP).

(2) Non-GAAP amounts exclude litigation-related special charges and recurring charges related to the 1999 redemption of Genentech's Special Common related taxes.

(3) Represents the amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(4) Represents accrued interest and bond costs related to the City of Hope trial judgement.

(5) "Other income, net" includes realized gains and losses from the sale of certain biotechnology equity securities and write-downs for other-than-temp the fair value of certain biotechnology debt and equity securities. In addition, "other income, net" includes interest income and interest expense. For fu to our web site at www.gene.com.

(6) All share and per share amounts reflect the May 2004 two-for-one stock split of our Common Stock.

GENENTECH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands)
 (unaudited)

June 30,

| | 2004 |
|---|--------------------------|
| Selected balance sheet data: | |
| Cash, cash equivalents and short-term investments | \$ 1,619,134 |
| Accounts receivable - product sales, net | 464,032 |
| Accounts receivable - royalties, net | 189,513 |
| Accounts receivable - other, net | 88,901 |
| Inventories | 527,649 |
| Long-term marketable debt and equity securities | 1,414,663 |
| Property, plant and equipment, net | 1,740,423 ⁽⁴⁾ |
| Goodwill | 1,315,019 |
| Other intangible assets | 710,644 |
| Other long-term assets | 817,906 |
| Total assets | 9,055,039 |
| Total current liabilities | 836,876 |
| Total liabilities | 2,170,005 ⁽⁵⁾ |
| Total stockholders' equity | 6,885,034 |
| Year-to-date: | |
| Capital expenditures | \$ 196,633 |
| Total GAAP ⁽¹⁾ depreciation and amortization expense | 178,520 |
| Less: redemption related amortization expense ⁽³⁾ | (76,418) |
| Non-GAAP ⁽²⁾ depreciation and amortization expense | \$ 102,102 |

(1) In accordance with U.S. generally accepted accounting principles (or GAAP).

(2) Non-GAAP amounts exclude amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(3) Represents the amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(4) Includes \$338 million of assets related to the consolidation of a variable interest entity pursuant to Financial Accounting Standards Board Interpretation 46 on July 1, 2003.

(5) Includes \$412 million of debt related to the consolidation of a variable interest entity pursuant to FIN 46.

(6) Certain reclassifications of prior period amounts have been made to conform with the current year presentation.